



CONNECTICUT STUDENT LOAN FOUNDATION

MINUTES OF THE BOARD OF DIRECTORS

September 20, 2018

A meeting of the Connecticut Student Loan Foundation's Board of Directors was held on Wednesday, September 20, 2018 at 12:00 p.m., at the Office of the Connecticut Health and Educational Facilities Authority, 10 Columbus Boulevard, Hartford, Connecticut 06106.

Members Present:

Dr. Peter Lisi, Chair of the Board
Julie Savino, Vice-Chair of the Board
Erika Steiner (designee of the Honorable Mark Ojakian) *
Sheree Mailhot (designee of the Honorable Denise Nappier) *
Jeanette Weldon, Executive Director
Martin L. Budd

Members Absent:

Steven Kitowicz (designee of the Honorable Benjamin Barnes)
Paul H. Mounds Jr.

Other Attendees:

Lisa Cohen, Vice President, Goal Structured Solutions, Inc. *
Ian Meade, Senior Financial Reporting Manager, Goal Structured Solutions, Inc. *
Tim Webb, Vice President, Hilltop Securities *
Denise Aguilera, General Counsel, CHEFA
JoAnne Mackewicz, Controller, CHEFA
Joshua Hurlock, Assistant Director, CHESLA
Carlee Levin, Senior Accountant, CHEFA
Debra M. Pinney, Manager of Administrative Services, CHEFA
Judith Blank, Esq., Day Pitney LLP
Kristen Brown, Senior Manager, CohnReznick LLP
Susan Harlan, former CHESLA Advisory Committee member and employee
Samuel E. Rush, former Deputy Director, CHESLA
Dana Rush
Joseph Santoro, Director, Merrill Lynch, Pierce, Fenner & Smith, Inc., Bank of America, N.A.

* Participated in the meeting via conference telephone that permitted all parties to hear each other

I. **Call to Order**

Dr. Lisi called the meeting to order at 12:54 p.m.

II. **Administrative Actions**

Approval of Minutes:

A motion was made by Mr. Budd and seconded by Ms. Savino that the Board of Directors of the Connecticut Student Loan Foundation approves the minutes of the July 25, 2018 meeting.

The motion was passed unanimously, with an abstention by Ms. Steiner who was not present for the July 25, 2018 meeting.

Election of Vice Chairperson:

Dr. Lisi requested a motion to re-elect Ms. Julie Savino as Vice Chairperson of the Board of Directors of the Connecticut Student Loan Foundation. Mr. Budd moved to re-elect Ms. Savino as Vice Chairperson and Dr. Lisi seconded the motion.

The motion was passed unanimously, with an abstention by Ms. Steiner.

Announcements:

Dr. Lisi noted that Ms. Erika Steiner is retiring and the September 20, 2018 would be her last meeting with the board. Dr. Lisi congratulated Ms. Steiner on the retirement and thanked her for her years of service and stated that Ms. Steiner will be missed.

III. **Report on FY 2018 Audited Financial Statements**

Ms. Mackewicz reviewed the financial status of CSLF as of June 30, 2018. She presented the Net Change in Position and, Balance Sheet on a consolidated basis, a comparison of the Funds Management ratios to the policy guidelines, the Balance Sheet by fund and information on the current bonds outstanding.

Ms. Mackewicz also reported on the results of the income statement for the twelve-month period ending June 30, 2018. Ms. Mackewicz indicated the Net Change in Position for CSLF was a negative \$1.8 million for the twelve-month period. Operating revenues were \$10.8 million, as compared to \$10.4 million in the prior year and budgeted at \$8.1 million. Ms. Mackewicz noted that approximately 95% of the total revenues are generated from Student Loan Interest and the remaining income is generated from Late Fees (2%) and Service Revenue on the Not for Profit portfolio (2%). Ms. Mackewicz stated that Operating Expenses increased by \$740,000 over FY 2017 and were \$2.3 million over budget. The Operating Expenses were higher primarily due to the interest paid on the bonds outstanding which are variable auction rate certificates. During FY 2018, interest rates increased with a high of 3.564% as compared to the high in FY 2017 of 2.639%, resulting in an additional \$1.2 million in interest expense; these were offset by decreases in Consolidation Fees and Administrative fees. Total Operating Income was an increase of \$2.2 million in FY 2018 compared to \$2.6 million in the Prior Year.

Ms. Mackewicz stated that there was a decrease of \$33.0 million in total assets during the twelve-month period ending June 30, 2018. Total assets decreased year over year from \$259.0 million to \$226.0 million as of June 30, 2018. This reflects payments received from students on their outstanding loans. During FY 2018, borrower payments were utilized to redeem \$32.0 million in bonds, reflecting the change in Trust Liabilities from \$233.0 million to \$202.0 million.

Ms. Mackewicz notes that the Net Position - Restricted by the Indenture totals \$4.7 million as compared to \$6.4 million in FY 2017 with an Unrestricted Net Position of \$19.3 million. Total Net Position for CSLF at June 30, 2018 is \$23.9 million.

CohnReznick, the external auditors for CLSF, represented by Kristen Brown, had presented the audited financials of the Connecticut Health and Educational Facilities Authority (CHEFA), including component units CSLF and the Connecticut Higher Education Supplemental Loan Authority (CHESLA), during the Board meeting of. The CHESLA Board meeting was immediately prior to the CSLF Board meeting and, by statute, has the same individuals as Board members.

As an accommodation to CohnReznick, they were permitted to discuss the CSLF audited financials during the CHESLA Board Meeting. The following is an excerpt from the CHESLA Board Minutes for the September 20, 2018 meeting:

Ms. Brown of CohnReznick apologized that Ms. Kimberley Nardone was not able to attend today's meeting and provided a handout for the Board. She presented a brief summary of the various reports issued, including required communications and future considerations in the FY 2018 Draft Audited Financial Statements.

Ms. Brown stated that the audit has a clean or unmodified opinion in regard to the financial statements, and added that in the report the auditors also referred to Generally Accepted Government Auditing Standards pertaining to controls and financial reporting. In FY 2019, there is a relevant new accounting standard, GASB 88, which pertains to certain disclosures related to debt, including direct borrowings and direct placements for periods after June 15, 2018.

[end of summary of discussion held during CHESLA Board Meeting]

Ms. Brown reviewed the Report on Management's Assertions and IRS Form 990, both of which are specific to CSLF. No unusual items were noted.

Ms. Savino made the following motion, which was seconded by Mr. Budd:

WHEREAS, the Board of Directors of the Connecticut Student Loan Foundation has reviewed the IRS Form 990;

NOW THEREFORE, BE IT:

RESOLVED, that the Board of Directors of the Connecticut Student Loan Foundation approves the filing of the Form 990 with the IRS for the fiscal year ended June 30, 2018, as presented.

The motion was passed unanimously.

IV. Bond Redemption Report

Ms. Cohen reviewed the bond activity for the quarter ended June 30, 2018 and indicated that \$5.7 million of subordinate bonds from the 2004B tranche had been redeemed during the quarter. Ms. Cohen noted that the strategy remains to utilize excess cash to prepay the bonds. It was also noted that during the quarter there was \$2.0 million set aside for distribution to CHESLA for the Scholarship Fund. The Scholarship Fund received the reserved \$2.0 million on July 10, 2018.

Ms. Cohen also noted that the Weighted Average Coupon (WAC) remained consistent quarter over quarter at 6.11%, noting approximately 87% of the portfolio are fixed rate federal loans; increasing interest rates only have a slight impact. The Weighted Average Remaining Maturity (WARM) of the portfolio increased slightly quarter over quarter from 140.43 to 141.42, noting that consolidation loans, which have longer maturities, continue to represent over 63% of the portfolio.

V. Executive Directors Report

Ms. Weldon noted that there was nothing specific to discuss during the current meeting.

DRAFT -- Not Yet Approved

VI. Proposed Policy Changes

Total and Permanent Disability Forgiveness:

Ms. Savino made the following motion, which was seconded by Mr. Budd:

WHEREAS, the Connecticut Student Loan Foundation (the "Foundation") desires to adopt a policy that permits the discharge of totally and permanently disabled student borrowers' alternative student loans.

NOW THEREFORE, BE IT RESOLVED, that

The Foundation hereby approves and adopts a policy permitting the discharge of student loans of totally and permanently disabled student borrowers, under the Foundations alternative student loan program, upon proof of total and permanent disability; and

The Executive Director is hereby authorized to establish the administrative process for implementing the above policy and determining whether a student borrower is totally and permanently disabled.

The motion was passed unanimously.

Write off of Balances less than \$25:

Ms. Savino made the following motion, which was seconded by Mr. Budd:

BE IT RESOLVED, that

The Connecticut Student Loan Foundation ("Foundation") hereby authorizes the write-off of any loan, in the Foundations alternative student loan program, when the principal balance is twenty-five dollars or less; and

The Executive Director is hereby authorized to establish the administrative process for implementing the above.

The motion was passed unanimously.

VII. Adjournment

Mr. Budd made a motion, which was seconded by Ms. Savino, to adjourn the meeting.

The motion passed unanimously and the meeting was adjourned at 1:12 p.m.

Respectfully Submitted by:

Jeanette Weldon, Executive Director